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01/05/99 01:01 PM

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Subject: Reclassification Entries

Forwarded by Rick R Ealey/Corp/DukePower on 01/05/99 01:05 PM

Rick R Ealey  
01/05/99 12:16 PM

To: Sandra P Meyer/Corp/DukePower@DukePower  
cc:  
Subject: Reclassification Entries

I want to run something by you. We are currently looking at reclassification entries as discussed w/ Don Stratton to help with our "allowed return" problem. We are also participating in the entries to chargeout the "Cost of Capital" as discussed with you and Jeff recently. The Line's-of-Business are raising concerns about the impact of these entries on their O&M incentive goals. In our efforts to manage sometimes conflicting goals of EBIT, Allowed Return and O&M incentive goals, we get boxed in and cannot accommodate all of these. I believe the best path is for us to book these entries without regard to O&M incentives and then handle the effects on O&M incentives offline. We can compile a spreadsheet which can be used to adjust out the impacts which should not be included in determining O&M incentive goals.

We have spent a fair amount of time in conversations with LOB's (Nuclear, Power Gen, Transmission) wanting to delve into the details on entries to determine their impact on incentive goals. If we can focus on getting the books closed with correct FERC & GAAP treatment and tell LOB's we will handle these exceptions offline, I believe we will be better served.

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